

JAMES MADISON
COUNCIL
OF THE LIBRARY
OF CONGRESS
WASHINGTON DC
20540

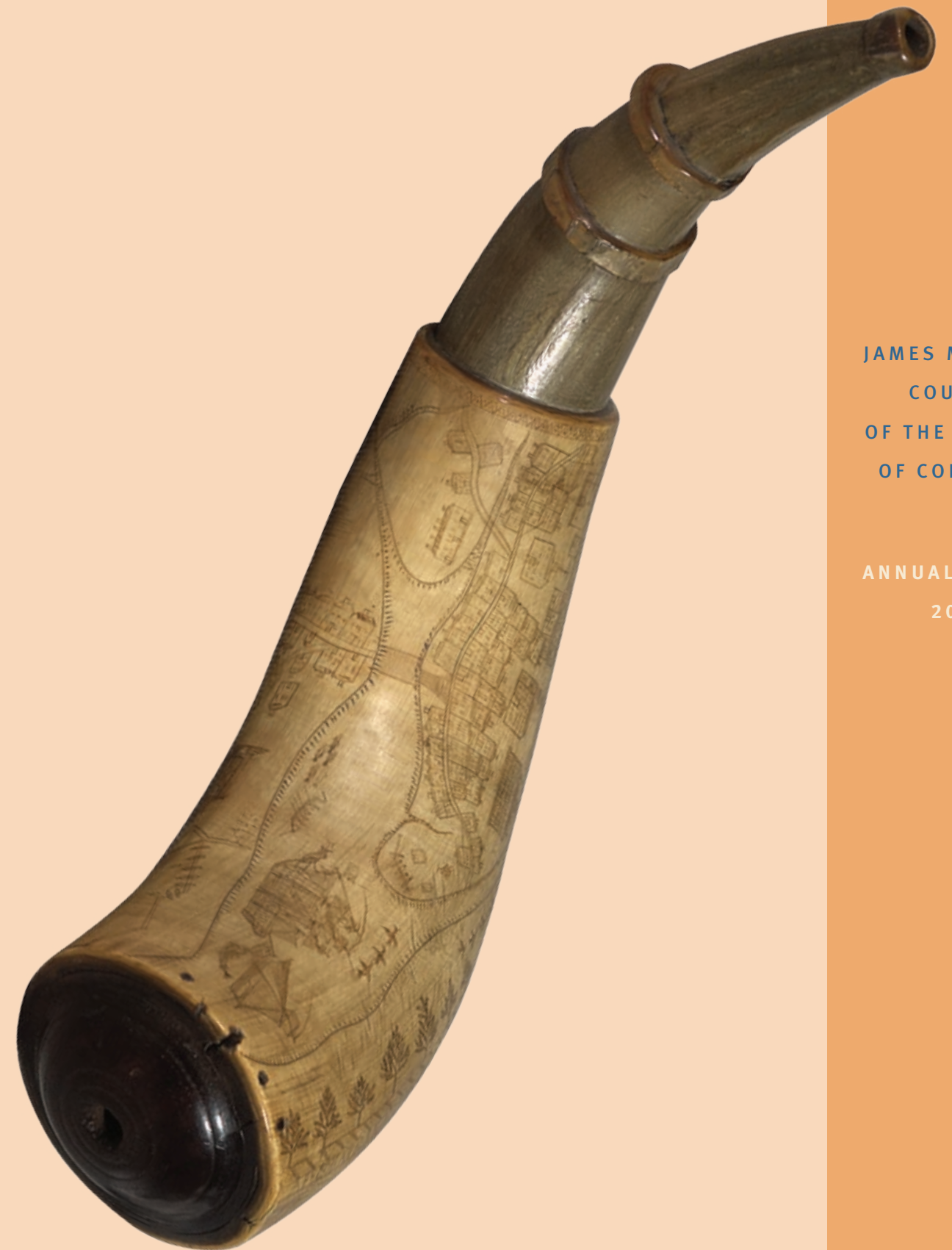
JAMES MADISON
COUNCIL
OF THE LIBRARY
OF CONGRESS

ANNUAL REPORT
2003



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COVER : Robert Blackburn's *Red inside*,
from the Robert Blackburn Collection
FACING PAGE : American Revolutionary
War Era Powder Horn



JAMES MADISON
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OF CONGRESS

ANNUAL REPORT
2003

a wonderful success story unfolds

*Report from the Chairman,
John W. Kluge*

As the Chairman of the Madison Council for the past 13 years, I have had the privilege of seeing the unfolding of a wonderful success story—a story of how a group of dedicated and generous individuals from the private-sector can join forces with a public institution to make a significant difference for the good of the nation. As our Treasurer Leonard Silverstein has mentioned on several occasions, the Madison Council, representing less than six percent of the Library's private-sector donor base, has given fifty-eight percent of the private funds raised by the Library since 1990, making the Council the most important source of private support the Library of Congress has ever had. This past year alone, Council members gave \$7.5 million to support initiatives throughout the Library that serve to inform, enlighten, and inspire people of all ages. It is reassuring to know that these donations are subject to a high standard of accountability through annual audits, and I am pleased to inform you that for the tenth consecutive year, the audit of the Madison Council Fund for 2003 has resulted in an unqualified favorable opinion.

Many exciting things are happening at the Library, but one educational initiative—the Advertising Council Campaign to promote the Library's Web sites—has been particularly successful in reaching our nation's youth. Now in its fourth year, this campaign (the first ever that the Ad Council has sponsored for a nationwide Library program) has to date resulted in donated media support of \$168 million for public service announcements that have appeared on the radio and television, in newspapers and magazines, and as Internet banners. They have captured the attention of millions of young people with the slogan, "Log On, Play Around, Learn Something." The Librarian reports that this campaign has had a profound impact on the increased usage of the Library's Web sites which now feature more than 8.5 million items from the Library's collections online, making it the nation's largest provider of free educational content. It was astonishing to learn that the Library is currently receiving more than 2.6 billion "hits" a year. As we do a better job educating our young, they will pass it on to their children and their children's children.

The ambitious and far-reaching initiatives that the Library has begun with the help of the Madison Council will need our continued commitment in the years ahead. I am convinced that we will meet these challenges—as well as new ones—with a vitality of spirit that will have a lasting impact on the Library of Congress and throughout the nation and around the world. ■

LEFT : Original drawing from
The Moriah Haggadah by
Avner Moria

2003 year in review

Report from the Librarian of Congress, James H. Billington



ABOVE : Chairman Kluge and the Librarian at the official opening ceremony of the John W. Kluge Center

When the James Madison Council was founded more than 13 years ago, few could have anticipated the positive impact this group would have on the nation's oldest federal cultural institution. With financial support from members exceeding \$153 million to date, the Council has supported 274 Library initiatives that have enriched the collections and made them better known and more accessible both on-site and on-line. The Council has played an important and innovative role in strengthening scholarship in Washington and providing new educational material for the nation and the world. The Library's Council-supported and award-winning Web site has moved us from being the "library of last resort" to a "library of first resort" on the Internet.

In the spring we gathered to celebrate the formal opening of the **John W. Kluge Center at the Library of Congress**. This new center—located in the inspirational Jefferson Building and made possible by the largest private financial benefaction in the history of the Library from the Council's Chairman—presents a new opportunity to attract to Washington the best available minds in the scholarly world, facilitate their access to the Library's remarkable collections and curators, and engage in conversation with the U.S. Congress and other public figures. The individuals occupying the five Kluge chairs and the Kissinger, Papamarkou, and Maguire Chairs that are housed in the Center work alongside an even larger number of junior scholars who are competitively chosen annually by outside panels. The Center is bringing new intellectual vitality to the Library.

The formal opening of the Kluge Center in May was followed by festive events in the fall awarding the first **John W. Kluge Prize for Lifetime Achievement in the Human Sciences**. This prize was created at the financial level of the Nobel awards to recognize the wide range of disciplines not covered by Nobel Prizes. The first-ever award of \$1 million was given to Leszek Kolakowski, a scholar, philosopher, historian, and key figure behind the Polish Solidarity movement in the 1980s inside his native Poland, which played a key role in ending communist rule in Eastern Europe.

Generous gifts from a number of Madison Council members allowed the Library to add significant items to its collections this year. Two of those—the establishment of **The Science Classics/Rare Book Gift Fund** and the acquisition of the **Waldseemüller Map**—were featured in detail in the Summer 2003 issue of the Madison Council Bulletin. We are deeply indebted to David and Susie Sainsbury for funding The Science Classics/Rare Book Gift Fund and making it possible to add to the Library a variety of titles that are classics in the his-



ABOVE : Leszek Kolakowski, recipient of the first Kluge Prize
TOP RIGHT : Robert Blackburn's *Yellow flash*, from the Robert Blackburn Collection

tory of science.

These rare scientific books have been added to the more than 800,000 items in the Rare Book and Special Collections Division, permitting the Library to develop further one of the world's preeminent rare book collections. Generous gifts from John Hendricks and the Discovery Channel, Gerry Lenfest and David Koch matched the funds provided by the Congress and raised the \$10 million funding needed to acquire the Waldseemüller Map. This benefaction completed an effort that extended over many decades to acquire this map. It is the first document of any kind to use the name "America" for the new lands explored by Columbus, Vespucci, and others. It will now be studied and exhibited in the nation's library for all to see. In July, the map was put on display at the Library for the first time as a highlight of the **Lewis & Clark** exhibition.

Other key items acquired this year and illustrated in this publication were made possible by support from Norma Dana, John Kluge, Abe and Julienne Krasnoff, Gerry and Marguerite Lenfest, Mitzi Perdue, Shirley and Brice Phillips, and the Erving and Joyce Wolf Foundation. They include:

1. **The North French Hebrew Miscellany** (ca. 1280), a facsimile edition of a rich thirteenth-century illuminated Hebrew manuscript;
2. **The Moriah Haggadah**, a deluxe original edition with interpretation of the Haggadah by artist Avner Moriah, one of Israel's leading contemporary artists;
3. A detailed history of the image of **Nuestra Señora de los Angeles** by **Pablo Antonio Peñuelas**, beginning with the image's first appearance on a piece of linen that appeared on the waters of the great flood that inundated Mexico City in 1580. This work sheds light on the continuing controversy over the authenticity of the story of the image of the Virgin of Guadalupe, the patron saint of Mexico;
4. **The French Guiana Almanac** reprinted in the colonial capital of Cayenne in 1822. This edition, the third known almanac produced on the island, improves on the previous efforts by providing a detailed history of the colony and by including several tables on the population and the economy;
5. An American Revolutionary War Era Powder Horn named **Abel Chapman His Horn Maid in Providence**. This horn, engraved with a view of the city and defenses of Providence, Rhode Island, in 1777, is unusual in that it identifies its owner;



2003 year in review



ABOVE : 2003 National Book Festival
BELOW : Rowan and Martin’s *Laugh-In* with Dan Rowan, Arte Johnson, and Dick Martin



- 6. **Rowan and Martin’s *Laugh-In*** (NBC, 1968–1973)—an acquisition consisting of video transfers of all 144 episodes and the original video masters—is a highly innovative, enormously successful television sketch program that launched many influential performers such as Lily Tomlin and Goldie Hawn and introduced a host of catchphrases such as “you bet your sweet bippy” and “sock it to me.” The collection brilliantly uses comedy to capture a turbulent period in American history;
- 7. **A letter, signed by George Gershwin** on October 14, 1932, in response to Harvard Law School professor Sheldon Gluck’s inquiry regarding the scenario for a show;
- 8. ***De Musica* by Anitius Boethius** (ca. 480–ca. 524), the chief author whose work transmitted the knowledge of ancient Greek music to the Middle Ages and was widely disseminated in manuscript copies and later in printed versions. This volume, published in 1546, contains the first edition of the revision made by the Swiss music theorist, poet, and humanist Heinrich Glareanus; and
- 9. ***A Voyage to Candyland*** (ca. 1790), an amusing Dutch broadside written for children. It depicts a journey to a gastronomic paradise where all is free and the only danger is one’s own laziness. “Lekkerland” is a place where buildings are covered with cakes, grilled birds fall from the sky, sausages pave the street, and ships are made of cinnamon and marzipan.

These varied acquisitions alone would have represented an impressive array of additions to the Library’s universal collections. But of particular significance is the additional acquisition of the **Robert Blackburn Printmaking Workshop Collection**. This extraordinary archive of 2,044 prints produced at Robert Blackburn’s renowned printmaking workshop in Manhattan by a diverse array of 1,311 artists provides the Library with a remarkable cross-section of American printmaking between 1948–1997. The collection includes works by such notable figures as Romare Bearden, Jacob Lawrence, Elizabeth Catlett, Vincent Smith, Juan Sánchez, Camille Billops, Ronald Joseph, and Whitfield Lovell. Conceived in 1948 as an open, democratic space, Blackburn’s workshop quickly became a cultural crossroads, attracting artists from around the world and seeding similar workshops in the United States and Africa. Blackburn worked to foster the artistic expression of emerging artists of all types—African American, Latino, Asian, Native American, and visiting international artists. His own contribution as a master printmaker winds through the history of our nation’s graphic arts

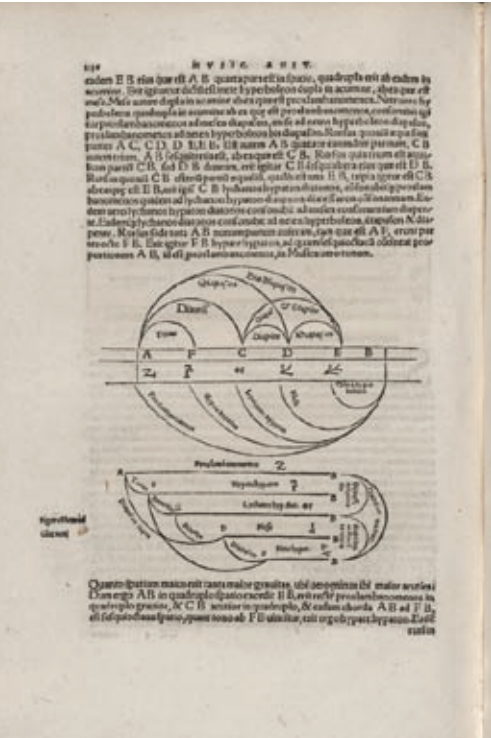
from the 1930 Harlem WPA, through the 1950s/60s “graphics boom” which he helped define through his collaborative work as printer for such artists as Robert Rauschenberg, Helen Frankenthaler, and Larry Rivers.

TOP RIGHT : Drawing from the 1546 edition of Boethius’ *De Musica*
BELOW : Laura Bush at the National Book Festival



For the third consecutive year, the Madison Council—with special help from Jim Parkel’s AARP, John and Teresa Amend’s WorkPlaceUSA, and AT&T—lent its support to the **National Book Festival**. The festival was once again co-hosted by First Lady Laura Bush, who came to the festival grounds to greet the authors and attendees. Festival crowds swelled to more than 70,000 on the National Mall, with fans filling the twelve big white tents to hear their favorite recorders of history and commentators on current events, spinners of mystery and weavers of suspense, writers of fiction and imagination, and tellers of tales. More than eighty award-winning and nationally known authors, illustrators, poets, and storytellers from across the country participated. Throughout the day, people stood four abreast in book signing lines to meet their favorite authors. Young families came in droves, with children enthralled by storybook characters, author readings, and presentations by athletes from the NBA and WNBA’s “Read to Achieve” program. Thousands more across the country watched this important cultural event on C-SPAN. Through the National Book Festival, the Library of Congress gives high visibility to the critical importance of reading for personal life and for citizenship in a democracy. The Council’s support is helping to make the festival an American tradition.

The initiatives supported by the Madison Council this year have enhanced the Library’s service to the nation and the building of a “library without walls” linked increasingly to everyone everywhere. Your continuing support of this great institution is creating an ever-expanding educational and informational resource for the nation and the world. On behalf of the Library and the millions affected by what we do, we thank you. ■



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FACING PAGE : Will Barnet's
Child alone, from the Robert
Blackburn Collection
TOP RIGHT : Roy DeCarava's
Pickets, from the Robert
Blackburn Collection

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LEFT : Robert Blackburn’s *Blue window*, from the Robert Blackburn Collection

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Partner-Chairman
Morino Institute
Reston, VA

Mr. William G. Myers
Santa Barbara, CA

Mr. Raymond D. Nasher
Chairman of the Board
The Nasher Company
Dallas, TX



LEFT : Margo Humphrey’s *With only the gods*, from the Robert Blackburn Collection
BOTTOM RIGHT : George Gershwin letter

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Mr. Henry J. Smith
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Ms. Thorunn Wathne
Wathne Ltd.
New York, NY

Ms. Joan M. Wegner
Chairman Emerita
Jel-Sert Corporation
West Chicago, IL

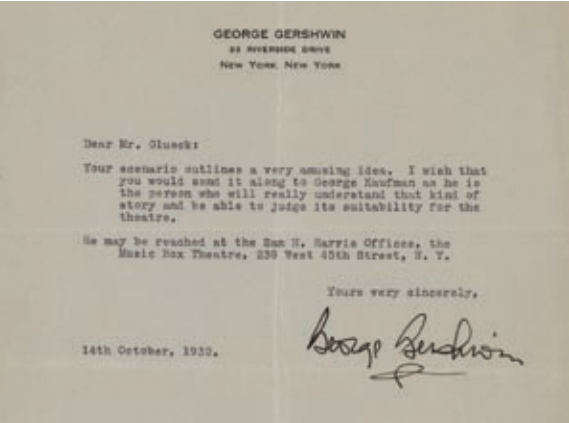
Mrs. Beatrice W. Welters
President
An-Bryce Foundation
Vienna, VA

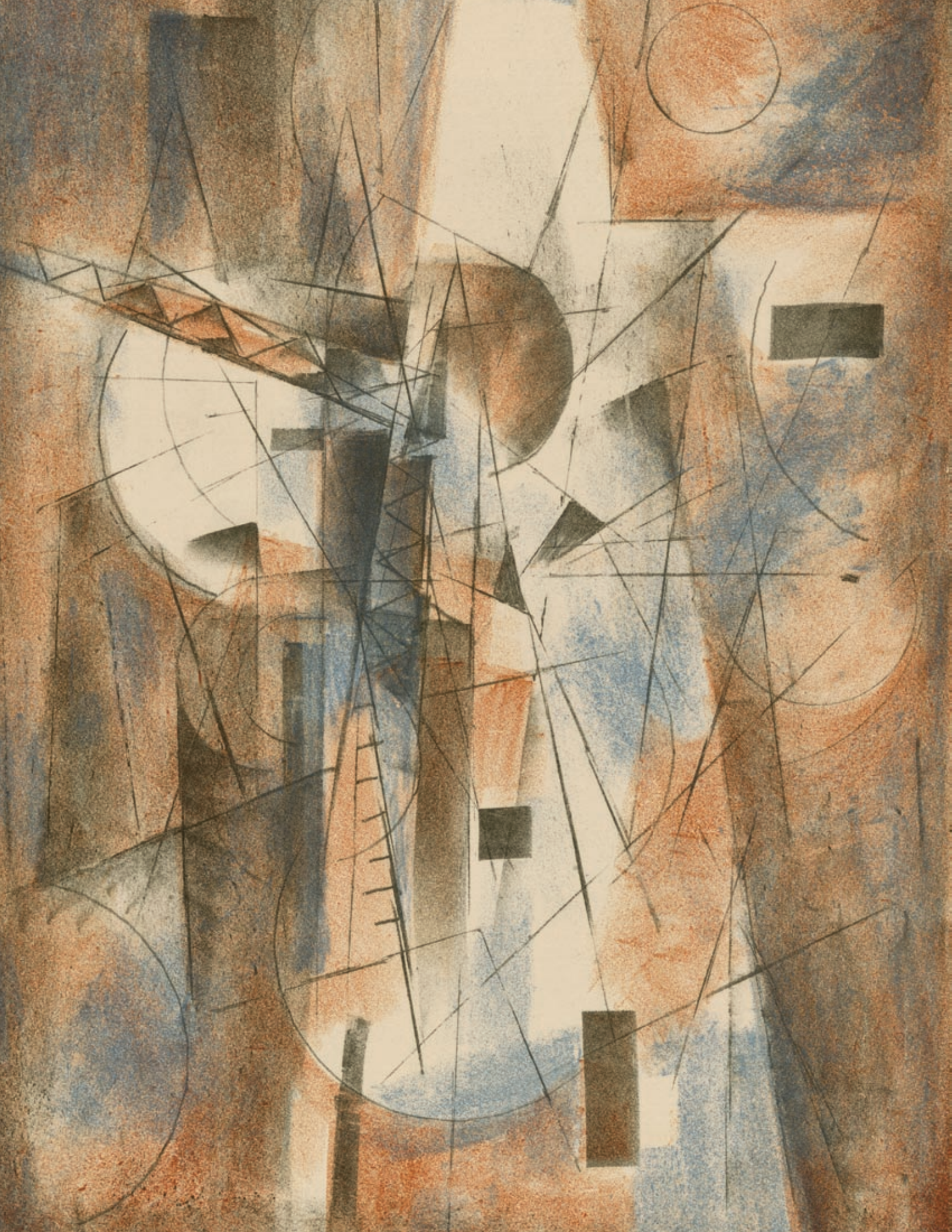
The Honorable John C. Whitehead
New York, NY

Ms. Diane R. Wolf
New York, NY

Mr. Michael B. Yanney
Chairman
America First Companies
Omaha, NE

Names of Jeffersonians, Madison Council members who have given \$1 million or more, appear in blue.





financial statements

JAMES MADISON
NATIONAL COUNCIL FUND
**STATEMENT OF
FINANCIAL POSITION**
September 30, 2003

FACING PAGE : V. Wicht's *Dawn*,
from the Robert Blackburn
Collection
BELOW : Robert Blackburn's
Girl in red, from the Robert
Blackburn Collection



ASSETS	
Cash	\$ 41,749
Investments: (Note 2)	
U.S. Treasury Market Based Securities	3,452,901
U.S. Treasury Permanent Loan	62,294
Growth and Income Pool	563,281
Total investments	4,078,476
Receivables:	
Pledges (Note 3)	1,769,578
Accrued interest	15,032
Accounts	21
Total receivables	1,784,631
Total assets	\$5,904,856

LIABILITIES AND NET ASSETS	
Accounts payable	\$ 523,550
Accrued payroll and annual leave	13,873
Total liabilities	537,423
Net assets (Note 4)	
Unrestricted-Undesignated	2,534,063
Unrestricted-Council designated for projects	167,197
Temporarily donor restricted for projects	2,666,173
Total net assets	5,367,433
Total liabilities and net assets	\$5,904,856

These financial statements should be read only in connection with the accompanying notes to financial statements.

financial statements

JAMES MADISON
NATIONAL COUNCIL FUND
STATEMENT OF
ACTIVITIES
Fiscal year ended September 30, 2003

CHANGES IN UNRESTRICTED NET ASSETS	
Revenues	
Membership contributions	\$ 770,165
Miscellaneous gifts	26,341
Temporarily restricted donations	16,325
Interest	87,595
Net unrealized gain and realized gain on investments (Note 2)	108,402
Imputed financing for cost subsidies (Note 5)	35,147
Royalties	132
Net assets released from restrictions	327,515
Total revenues	\$ 1,371,622
Expenses (see Schedule B)	
Personnel costs	\$ 605,783
Travel and transportation and subsistence/support persons	54,852
Other services	859,681
Books and library materials	26,026
Exhibit opening events, receptions, and Madison Council meetings	174,621
Professional and consultant services	259,807
Office supplies and materials	1,626
Printing, publishing, and photoduplicating	21,281
Total expenses	\$ 2,003,677
Other changes	
Transfer to other funds (Note 8)	205,663
Decrease in unrestricted net assets	\$ (837,718)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	
Contributions	\$ 1,112,298
Net assets released from restrictions	(327,515)
Increase in temporarily restricted net assets	784,783
Decrease in net assets	(52,936)
Net assets at beginning of year	5,420,368
Net assets at end of year	\$ 5,367,433

These financial statements should be read only in connection with the accompanying notes to financial statements.

JAMES MADISON
NATIONAL COUNCIL FUND
STATEMENT OF CASH FLOWS
Fiscal year ended September 30, 2003

TOP RIGHT : Juan Sánchez's
La lucha continua, from the
Robert Blackburn Collection
BELOW : Drawing of Nuestra
Señora de los Angeles



CASH FLOWS FROM OPERATING ACTIVITIES	
Donations received	\$ 1,322,964
Interest received	89,301
Cash paid to others	(1,401,462)
Cash paid to employees	(577,395)
Transfer to other funds	(205,663)
Net cash provided by operating activities	\$ (772,255)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment in U.S. Treasury Market Based Securities	\$(2,745,073)
Investment in U.S. Treasury Permanent Loan	(10,450)
Redemption of Investment in U.S. Treasury Market Based Securities	2,988,009
Redemption of Investment in U.S. Treasury Permanent Loan	509,943
Net cash used by investing activities	\$ 742,429
Net decrease in cash	(29,827)
Cash at beginning of year	71,576
Cash at end of year	\$ 41,749
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES	
Change in net assets	\$ (52,935)
ADJUSTMENTS TO RECONCILE CHANGES IN NET ASSETS TO NET CASH PROVIDED FROM OPERATING ACTIVITIES	
Non-cash gain on mutual fund investments	(108,402)
Increase in pledges receivable	(602,298)
Decrease in accrued interest receivables	1,706
Decrease in accrued payroll and annual leave	(6,759)
Decrease in accounts receivable	(21)
Decrease in accounts payable	(3,546)
Total adjustments	(719,320)
Net cash from operating activities	\$ (772,255)

These financial statements should be read only in connection with the accompanying notes to financial statements.



notes to financial statements

JAMES MADISON
NATIONAL COUNCIL FUND
September 30, 2003

NOTE 1

Reporting entity and summary of significant accounting principles

A. Description of fund
The James Madison National Council Fund (JMNC Fund) was initiated by the Librarian of Congress, accepted through a poll vote by the Library of Congress Trust Fund Board in July 1989 and reaffirmed October 7, 1989. A gift of \$100,000 from Robert Gwinn, Chairman of the Board of Encyclopedia Britannica, established the Fund. The JMNC Fund is reported in the Library of Congress gift and trust funds.
The James Madison National Council is an advisory board of business people and philanthropists that contribute ideas, expertise, and financial backing to support the Library's collections and programs. The Council is open to persons from the private sector interested in advancing the Library's outreach mission. There are 93 members of the Council.

Significant accounting policies followed by the JMNC Fund are presented below.

B. Basis of accounting and presentation

The Fund's financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles.
The Fund adopted financial reporting standards applicable to not-for-profit organizations. The financial statements are prepared in accordance with Financial Accounting Standards No. 117, and recognize net assets based on the existence of applicable restrictions limiting their use.
Temporarily restricted net assets result from donor-imposed restrictions that permit the Fund to use or expend the assets after the restriction has

been satisfied. When a donor-imposed restriction is satisfied, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Unrestricted net assets result from the receipt of unrestricted contributions, the expiration of donor-imposed restrictions on contributions, and changes in other assets and liabilities. These assets are available to the Fund for use in support of current and future operations. The Library of Congress provides support services to the James Madison National Council. The cost of these services are, by their nature, indirect, difficult to quantify, and financed with appropriated funds of the Library. To the extent that these services are provided, they are not considered operating expenses of the James Madison National Council.

C. Use of estimates
The preparation of the Fund's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

D. Contributions and revenue recognition

The Fund records as contribution revenue amounts received in the form of cash, promises or pledges to give. Unconditional promises or pledges to give are recognized as a contribution receivable. Multi-year pledges or promises due over a period of time are discounted to their present value, based upon prevailing interest rates, and recognized in the period of initial pledge.

E. Income tax
The JMNC Fund operates for the benefit of the Library of Congress which is an

instrument of the United States and, as such, is not subject to income tax.

F. Investment policy
The Library of Congress Trust Fund Board determines the investment policy for the Library's trust funds. The policy provides three options for investment of the JMNC Fund funds:

- A permanent loan with the U.S. Treasury
- A pool of U.S. Treasury market-based securities
- A private investment pool consisting of five stock funds and one money market fund. The funds recommended by the Library of Congress Trust Fund Board's investment committee and approved by the Board are:
 - Vanguard Money Market Prime Fund
 - Fidelity Fifty Fund
 - Fidelity Stock Selector
 - Vanguard Total Stock Market Index Fund—Admiral Shares
 - Vanguard Institutional Index Fund
 - RS The Emerging Growth Fund

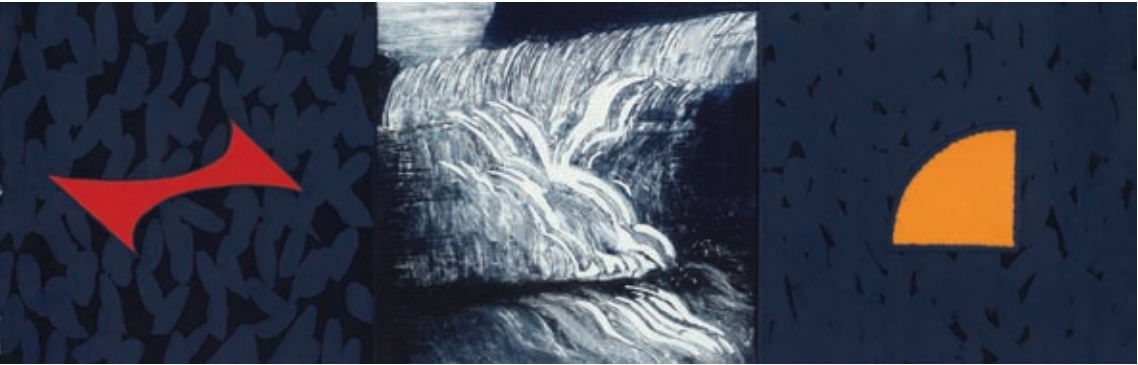
Investments in U.S. market-based securities are stated at cost net of any unamortized premium or discount, which approximates market value at September 30, 2003. The permanent loan is an interest bearing par value investment which equals the market value. Stock and money market mutual funds are stated at current market value.

NOTE 2

Investments

A. U. S. Treasury
An act of Congress approved March 3, 1925, and subsequently amended, permits up to \$10 million of trust funds to be invested with the United States Treasury as a perpetual loan, at a floating interest rate, adjusted monthly, but no less than four percent per annum. At September 30, 2003, \$62,294 of JMNC Fund funds were

RIGHT : Kay Walking
Stick's Triphammer,
from the Robert
Blackburn Collection



invested in the U.S. Treasury permanent loan at an interest rate of four percent. Other investments with U.S. Treasury were as follows:

Investment	Non-marketable, market-based govern- ment securities (\$)
Par	3,444,878
Unamortized Premium	12,308
Unamortized Discount	(4,285)
Amortized Cost	3,452,901

B. Mutual funds
The JMNC Fund invested \$500,000 in the growth and income pool (non-Treasury mutual fund investments) in 1996. Market value of the growth and income pool as of September 30, 2003, totaled \$563,281.

The net gain on investments of \$108,402 consists of the following: \$7,858 realized gain of mutual fund capital gains distributions; \$268 realized gain of money market dividends and \$100,276 unrealized gain on the growth and income pool.

NOTE 3

Pledges

Contributions of unconditional promises to give (pledges) to the JMNC Fund are recognized as temporarily restricted revenue in the period received. They are recorded at their present value using a market discount rate. Accretion of the discount in subsequent years is also recorded as contribution revenue. Outstanding pledges of \$2,075,000 at September 30, 2003, were discounted through fiscal 2012 at a market discount rate and are included in the statement of financial position at their discounted present value of \$1,769,578. The amounts due in future years at their current discounted value are: \$915,473 in fiscal 2004; \$485,600 in fiscal 2005; \$714,900 in fiscal 2012.

NOTE 4

Net assets

The JMNC Net Assets of \$5,367,433 are classified as Unrestricted-Undesignated, Unrestricted-Council Designated for Projects or Temporarily Donor Restricted for Projects. Of this total amount, \$2,534,063 is classified as Unrestricted-Undesignated. The balance of \$2,833,370 consisting of \$167,197 (Unrestricted-Council Designated for Projects) and \$2,666,173 (Temporarily Donor Restricted for Projects) is earmarked for initiatives such as the outreach program for the Hebraic section; Illustrated Guides to the Special Collections; Advertising Council campaign for the Library's Web sites; digitization of materials for the Global Gateway, the Library's international website; exhibitions; the Madison Council Fellow in Library and Information; a publication about the history of the United States House of Representatives; numerous curatorial projects; the Library's docent program; and the National Book Festival.

Ending Net Assets includes undelivered orders of \$267,566 which are funds that have been obligated for goods and services not yet received for JMNC Fund operations and designated projects.

NOTE 5

Imputed financing for cost subsidies

An adjustment of \$35,147 was recorded as an imputed financing source and a corresponding expense in the accompanying financial statements. This adjustment recognizes the full cost of pensions and other health and life insurance benefits during the employees' active years of service.

NOTE 6

Expenses by functional classification

As permitted by SFAS No. 117, the Library has elected to present its operating expenses by natural classification in its Statements of Activities for the period ending September 30, 2003. The functional breakdown of these expenses is as follows (see Schedule B):

Fiscal year 2003 expenses by functional classification

Classification	Amount (\$)
JMNC Fund projects and programs	713,828
Members' specific projects	327,514
Supporting activities—fundraising	962,335
Total expenses	2,003,677

NOTE 7

Retirement plans

Employees of JMNC Fund participate in two different retirement plans. Civil Service employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). FERS is the system in effect for most employees hired after December 31, 1983.

In fiscal 2003, the JMNC Fund paid approximately \$37,044 to fund retirement benefits, excluding FICA taxes.

NOTE 8

Transfer to other funds

The fund transferred \$205,663 to the Abby and Emily Rapoport Trust Fund to comply with the donors instructions. The Rapoport Trust Fund was approved by the Library of Congress Trust Fund Board and the Joint Committee on the Library in fiscal year 2003.

This information is an integral part of the accompanying financial statements.

independent auditor’s report



TO THE STEERING COMMITTEE
JAMES MADISON NATIONAL
COUNCIL FUND

We have audited the accompanying statement of financial position of the James Madison National Council Fund (the Fund) as of September 30, 2003, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

Summary
As stated in our opinion, the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal control over financial reporting did not disclose material weaknesses.

The results of our tests of compliance with certain provisions of laws and regulations disclosed an instance of noncompliance, described below, that is required to be reported herein under *Government Auditing Standards* issued by the Comptroller General of the United States:

- Noncompliance with Congressional Accountability Act of 1995.

The results of our tests disclosed no other instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The following sections discuss our opinion on the Fund’s financial statements, our consideration of the Fund’s internal control over financial reporting, our tests of the Fund’s compliance with certain provisions of applicable laws and regulations, and management’s and our responsibilities.

Opinion on financial statements
We have audited the accompanying statement of financial position of the Fund as of September 30, 2003, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

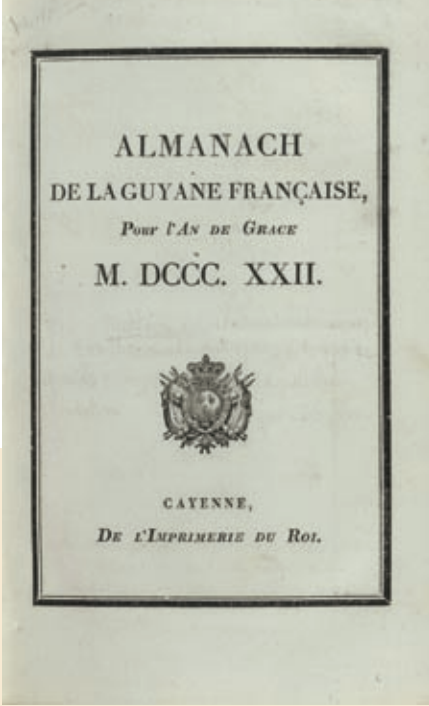
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial

audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of September 30, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information contained in Schedules A and B is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Internal control over financial reporting
In planning and performing our audit, we considered the Fund’s internal control over financial reporting by obtaining an understanding of the Fund’s internal



control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02. We did not test all internal controls relevant to operating objectives such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Fund’s ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period

LEFT : Early almanac for the colony of French Guiana
BELOW RIGHT : Robert Blackburn’s *Color symphony*, from the Robert Blackburn Collection

by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. However, we noted no matters involving the internal control and its operation that we considered to be material weaknesses as defined above. We noted other matters involving the internal control over financial reporting that we have reported to the management of the James Madison National Council Fund in a separate letter dated January 30, 2004.

Compliance with laws and regulations
The management of the Fund is responsible for complying with laws and regulations applicable to the Fund. As part of obtaining reasonable assurance about whether the Fund’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin 01-02. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the Fund.

The results of our tests of compliance with the laws and regulations described in the preceding paragraph disclosed an instance of noncompliance, described below, with the following laws and regulations that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 01-02.

- During fiscal year 2003, the Fund was not in compliance with the “Congressional Accountability Act (CAA) of

1995.” In the CAA, Congress made its facilities and employees subject to the same safety laws that applied outside the Legislative Branch. In 1997, other provisions of the CAA applied fire safety standards to Congressional buildings. The Office of Compliance conducted a year-long fire safety investigation that culminated in a report issued in January 2001 that identified numerous safety hazards in the three Capitol Hill Buildings utilized by the Fund.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of the Steering Committee, management, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Kearney & Company

January 30, 2004



supplemental information

JAMES MADISON
NATIONAL COUNCIL FUND
SCHEDULE A
September 30, 2003

SCHEDULE OF NET ASSETS AVAILABLE FOR DESIGNATION	
Total net assets	\$ 5,367,433
Net assets restricted by donors for projects	(2,666,173)
Net assets designated by the Council for projects	(167,197)
Total restricted or designated net assets	(2,833,370)
Net assets available for designation	\$ 2,534,063

JAMES MADISON
NATIONAL COUNCIL FUND
SCHEDULE B
September 30, 2003

	Fund projects and programs	Members' specific projects	Supporting activities—fundraising	Total
Personnel costs	\$ 27,618	\$ 1,695	\$ 576,470	\$605,783
Travel and transportation and subsistence/support persons	13,136	1,791	39,925	54,852
Other services	427,641	287,437	144,603	859,681
Books and library materials	0	20,407	5,619	26,026
Exhibit opening events, receptions, and Madison Council meetings	117,879	0	56,743	174,621
Professional and consultant services	125,735	16,184	117,888	259,807
Office supplies and materials	230	0	1,396	1,626
Printing, publishing, and photoduplicating	1,589	0	19,691	21,281
Totals	\$713,828	\$327,514	\$962,335	\$2,003,677

FACING PAGE : Dutch broadside
Luy-Lekkerland
RIGHT : Robert Blackburn's
Heavy forms, from the Robert
Blackburn Collection



Project manager: Larry Stafford
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